

Message Text

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PAGE 01 BRASIL 03126 201329Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 IO-13 ISO-00 AGRE-00 SP-02
USIA-15 AID-05 NSC-05 TRSE-00 SS-15 STR-04 OMB-01
CEA-01 COME-00 CIAE-00 INR-07 NSAE-00 PRS-01 PA-02
L-03 H-02 EA-09 EUR-12 NEA-10 ITC-01 /137 W
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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 1168
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMCONSUL RECIFE
AMCONSUL BELEM
AMCONSUL SALVADOR
USMISSION GENEVA
AMEMBASSY ABIDJAN

UNCLAS BRASILIA 3126

E.O. 11652: N/A
TAGS: EAGR EPAP ENRG ETRD BR
SUBJECT: SUGAR: SOME RECENT DEVELOPMENTS IN BRAZIL

REF: (A) BRASILIA 2986 (NOTAL), DERHAM MEMO; MARCH 22, 1977
(NOTAL), (C) WHITNEY MEMO, FEB. 17, 1977 (NOTAL)

1. SUMMARY. THIS TELEGRAM IS MEANT TO BRING TOGETHER A NUMBER OF PRESS REPORTS ON SUGAR THAT HAVE APPEARED RECENTLY. COVERED ARE SUCH TOPICS AS THE ISA, GEPLACEA, BRAZIL-IVORY COAST SUGAR COOPERATION, COMMENTS ON WORLD SUGAR PRICES, BRAZILIAN SUGAR PRODUCTION STATISTICS, AND PROGRESS IN BRAZIL'S SUGAR-ALCOHOL PROGRAM. END SUMMARY.

2. ISA AND GEPLACEA. PRESS COMMENT ON THE ISA MEETING HAS BEEN VERY LIGHT AND, AS REPORTED IN REF (A), HAS CONCENTRATED ON REPORTS THAT GOB SUGAR AND ALCOHOL INSTITUTE (IAA)
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BRASIL 03126 201329Z

WILL INSIST ON 15 CENT/LB. MINIMUM PRICE AS MAJOR

COMPONENT OF NEW ISA. IAA PRESIDENT GENERAL ALVARO TAVARES CARMO WILL HEAD BRAZILIAN DELEGATION. PRESS HAS REPORTED (JORNAL DE BRASILIA 4/16) THAT HAVANA

GEPLACEA MEETING RESULTED IN AGREEMENT TO SUPPORT A PRICE RANGE OF 15-50 CENTS/LB., THEREBY GUARANTEEING AT LEAST MINIMUM PROFITABILITY FOR SUGAR CULTIVATION, AND AGREEMENT ON THE CONCEPT OF COUNTRY EXPORT QUOTAS THAT WILL INITIALLY BE FIXED FOR THE FIRST TWO OR THREE YEARS OF THE NEW ISA AND REVISED LATER IF CONDITIONS WARRANT. THIS ARTICLE ALSO REPORTED THAT GEPLACEA MEMBERS WILL REQUEST THAT THE ORGANIZATION BE GRANTED OBSERVER STATUS OF THE ISA. (SEE REF. B. FOR IAA VERSION OF RESULTS OF GEPLACEA MEETING.)

3. BRAZIL-IVORY COAST SUGAR COOPERATION. JORNAL DE BRASILIA (APRIL 16) REPORTED THAT BRAZIL WILL FINANCE A SUGAR DEVELOPMENT PROGRAM IN THE IVORY COAST. UNDER THIS PROGRAM, THE PAPER SAID, IVORY COAST SUGAR PRODUCTION WILL INCREASE TO 500-600 THOUSAND TONS BY 1985.

4. BRAZILIAN SUGAR PRODUCTION, CONSUMPTION, EXPORT AND STOCK FIGURES. O ESTADO DE SAO PAULO (APRIL 10) REPORTED THE FOLLOWING 1976 SUGAR STATISTICS FOR BRAZIL:

1976 PRODUCTION:	7 MILLION TONS
1975 STOCKS CARRIED FORWARD:	1.8 MILLION TONS
SUGAR AVAILABLE DURING 1976:	8.8 MILLION TONS
1976 INTERNAL CONSUMPTION:	5.2 MILLION TONS
1976 EXPORTS	1.2 MILLION TONS
STOCKS AS OF 12/31/76	2.4 MILLION TONS

5. BASED ON THIS 1976 CONSUMPTION FIGURE AND A UNCLASSIFIED

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PAGE 03 BRASIL 03126 201329Z

POPULATION ESTIMATED AT 110 MILLION, THE PAPER REPORTED THAT BRAZIL'S PER CAPITA CONSUMPTION OF SUGAR IN 1976 WAS 47 KILOS.

6. 1976 EXPORTS BY PRODUCT CLASS WERE BROKEN DOWN AS FOLLOWS: CRUDE - 49 PER CENT; REFINED - 26 PER CENT; SPECIAL - 25 PER CENT.

7. JORNAL DO BRASIL (APRIL 15) STATED THAT THE STATE OF SAO PAULO ACCOUNTED FOR 52 PER CENT OF 1976 SUGAR PRODUCTION, AND PREDICTED THAT THIS FIGURE MAY BE EVEN HIGHER FOR 1977 DUE TO PROBLEMS IN OTHER PRODUCTING STATES.

8. SUGAR PRICES. ACCORDING TO O ESTADO DE SAO PAULO (APRIL 10), THE IAA IS CONFIDENT THAT WORLD SUGAR PRICES ARE FINALLY FIRMING UP. THE IAA MAINTAINS THAT SUGAR STOCKS IN IMPORTING COUNTRIES ARE VERY LOW AND THAT THESE COUNTRIES WILL BE FORCED TO MAKE MAJOR PURCHASES SOON,

FORCING UP PRICES. AN ARTICLE IN JORNAL DO BRASIL (APRIL 15) ATTRIBUTES CURRENT HIGHER PRICES TO THE DIFFICULTY OF FINDING SUGAR FOR MAY DELIVERY, CONGESTION IN US WEST COAST PORTS, AND HIGH CHINESE PURCHASES.

9. THE IAA IS CURRENTLY PREDICTING BRAZILIAN EXPORTS OF US\$400-800 MILLION FOR 1977 DESPITE POOR FIRST QUARTER SUGAR EXPORT PERFORMANCE. IN 1976 BRAZIL'S SUGAR EXPORTS WERE US\$300 MILLION.

10. DESPITE GOB PLEASURE OVER RISING SUGAR PRICES, SO FAR THE WORLD PRICE HAS NOT SURPASSED THE US\$270/TON DOMESTIC SUPPORT PRICE FOR SUGAR. BASED ON AN AVERAGE PRICE OF US\$196/TON FOR FIRST QUARTER 1977 EXPORTS, THE IAA (WHICH HAS A MONOPOLY ON SUGAR EXPORTING) LOST US\$37 MILLION IN ITS SUGAR MARKETING ACTIVITIES DURING THAT PERIOD.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BRASIL 03126 201329Z

11. ALCOHOL. THE GOB IS ATTEMPTING TO ENCOURAGE THE PRODUCTION OF ALCOHOL FROM SUGAR IN ORDER TO PROVIDE ALCOHOL FOR THE CHEMICAL INDUSTRY AND TO MIX WITH GASOLINE. THIS POLICY, ACCORDING TO O ESTADO DE SAO PAULO (APRIL 15), WILL RUN INTO SERIOUS INFRASTRUCTURE PROBLEMS, AT LEAST IN THE SHORT RUN, BECAUSE DISTILLERY CAPACITY IS RUNNING FAR BEHIND CANE PRODUCTION CAPACITY. ACCORDING TO FIGURES IN THE ARTICLE, ONLY THE STATE OF SAO PAULO HAS SIGNIFICANT EXCESS DISTILLERY CAPACITY, BUT IN MANY CASES THE CANE PRODUCTION IS NOT LOCATED IN CLOSE PROXIMITY TO THE DISTILLERIES. THE STATE OF RIO DE JANEIRO HAS A ROUGH BALANCE BETWEEN CANE PRODUCTION AND DISTILLERY CAPACITY, WHILE THERE IS A GREAT DEFICIT OF DISTILLERY CAPACITY IN THE NORTH AND NORTHEAST. (SEE REF (C) FOR ANOTHER DISCUSSION OF OUT-OF-PHASE SUGAR INCENTIVES.)

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